Trends and Demographics

This section includes:

HOUSEHOLD TAX ANALYSES

The following analyses illustrate the impact of selected County taxes on the "typical" household from FY 1999 to FY 2005. This period provides five years of actual data, estimates for FY 2004 based on year-to-date experience, and projections for FY 2005. Historical dollar amounts are converted to FY 2005 dollar equivalents for comparison purposes using the Consumer Price Index for All Urban Consumers (CPI-U) for the Washington-Baltimore area. The Washington metropolitan area has experienced average annual inflation of 2.8 percent from FY 1999 to FY 2003. Projections for inflation in FY 2004 and FY 2005 are based on a forecast of 3.0 percent using the December 2003 issue of the Blue Chip Economic Indicators, and adjusting for the relatively higher rate of inflation that has occurred in the Washington area, compared nationally.

HOUSEHOLD TAXATION TRENDS: SELECTED CATEGORIES FY 1999 - FY 2005

The charts on the following pages show the trends in selected taxes (Real Estate Taxes, Personal Property Taxes, Sales Taxes, and Consumer Utility Taxes) paid by the "typical" household in Fairfax County. It is important to note that the following data are not intended to depict a comprehensive picture of a household's total tax burden in Fairfax County.

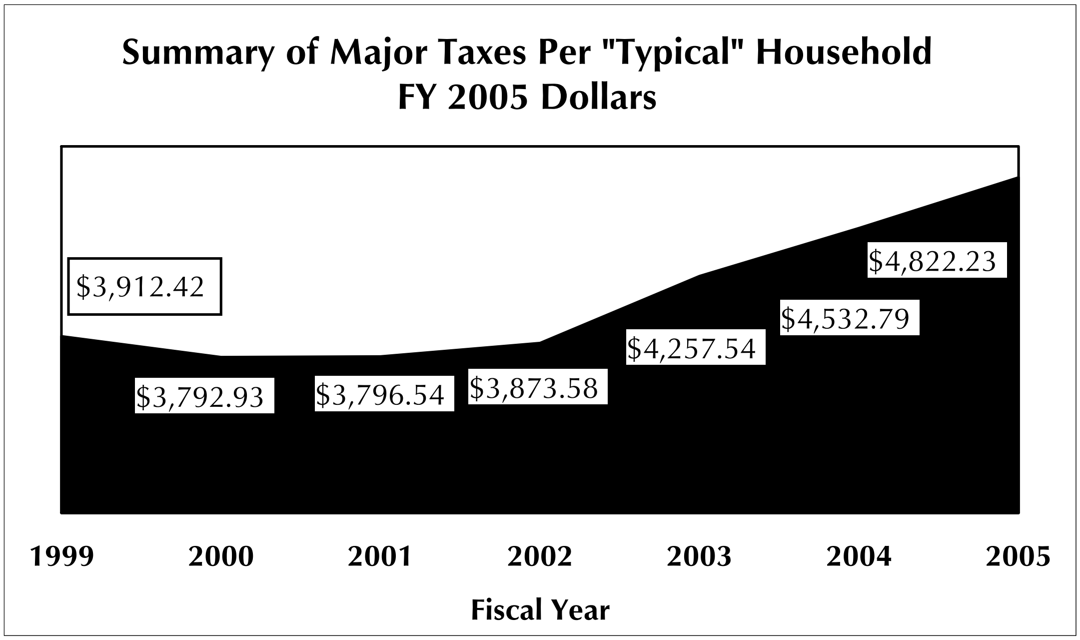
The "typical" household in Fairfax County is projected to pay $4,822.23 in selected County taxes in FY 2005, $289.44 more than FY 2004 after adjusting for inflation. From FY 1999 to FY 2005, the inflation adjusted increase in selected County taxes for the "typical" household is $909.81, or an average annual increase of 3.5 percent. Note that taxes paid in FY 1999 through FY 2005 reflect the Personal Property Tax Relief Act of 1998 (PPTRA), which reduced an individual's Personal Property Tax liability by 12.5 percent in FY 1999, 27.5 percent in FY 2000, 47.5 percent in FY 2001, and 70.0 percent in FY 2002 through 2005. The PPTRA applies to vehicles valued up to $20,000 owned by individuals.

Summary of Major Taxes Per "Typical" Household

	Number of Households	Real Estate Tax in FY 2005 Dollars	Personal Property Tax in FY 2005 Dollars[1]	Sales Tax in FY 2005 Dollars	Consumer Utility Tax in FY 2005 Dollars	Total Taxes in FY 2005 Dollars[1]
FY 1999	344,563	$2,807.36	$610.23	$397.88	$96.95	$3,912.42
FY 2000	353,136	$2,751.77	$527.40	$416.89	$96.87	$3,792.93
FY 2001	358,149	$2,862.92	$417.76	$416.84	$99.02	$3,796.54
FY 2002	363,677	$3,155.10	$246.43	$377.31	$94.74	$3,873.58
FY 2003	369,200	$3,555.11	$246.30	$364.32	$91.81	$4,257.54
FY 2004[2]	374,700	$3,838.15	$247.85	$358.97	$87.82	$4,532.79
FY 2005[2]	380,200	$4,147.07	$237.36	$353.77	$84.03	$4,822.23

[1] FY 1999 reflects a refund of 12.5 percent paid to citizens by the Commonwealth, FY 2000 incorporates a 27.5 percent reduction, FY 2001 incorporates a 47.5 percent reduction, and FY 2002-2005 incorporates a 70.0 percent reduction in Personal Property Tax bills sent to citizens. The difference in revenue will be paid to the County by the Commonwealth.

[2] Estimated.



Real Estate Tax
Per "Typical" Household

	Mean Assessed Value of Residential Property	Tax Rate per $100	Tax per Household	Tax per Household in FY 2005 Dollars
FY 1991	$196,514	$1.11	$2,181.31	$3,090.96
FY 1999	$192,667	$1.23	$2,369.80	$2,807.36
FY 2000	$195,713	$1.23	$2,407.27	$2,751.77
FY 2001	$208,126	$1.23	$2,559.95	$2,862.92
FY 2002	$234,749	$1.23	$2,887.41	$3,155.10
FY 2003	$276,945	$1.21	$3,351.03	$3,555.11
FY 2004[1]	$321,238	$1.16	$3,726.36	$3,838.15
FY 2005[1]	$357,506	$1.16	$4,147.07	$4,147.07

[1] Estimated.

As shown in the preceding table, Real Estate Taxes per "typical" household are expected to increase $420.71 between FY 2004 and FY 2005 to $4,147.07, not adjusting for inflation. This increase is primarily due to higher residential property assessments, which result from a strong demand for homes coupled with a limited supply in Fairfax County. Since FY 1999, Real Estate Taxes have increased $1,777.27 or an average annual increase of 9.8 percent per year, not adjusting for inflation. Adjusted for inflation, however, Real Estate Taxes per "typical" household are $1,339.71 higher than FY 1999, an average annual increase of 6.7 percent. Since FY 1991, Real Estate Taxes have increased an average of 2.1 percent per year after adjusting for inflation. The Real Estate Tax rate remains unchanged from FY 2004 at $1.16 per $100 of assessed value in FY 2005.

Personal Property Tax
Per "Typical" Household

	Personal Property Taxes Attributed to Individuals	Number of Households	Tax per Household	Tax per Household in FY 2005 Dollars	After PPTRA: Adjusted Tax per Household[1]	After PPTRA: Tax per Household in FY 2005 Dollars[1]
FY 1999	$202,845,636	344,563	$588.70	$697.40	$515.12	$610.22
FY 2000	$224,727,900	353,136	$636.38	$727.45	$461.37	$527.40
FY 2001	$254,831,615	358,149	$711.52	$795.73	$373.55	$417.78
FY 2002	$273,395,166	363,677	$751.75	$821.45	$225.53	$246.44
FY 2003	$285,711,943	369,200	$773.87	$821.00	$232.16	$246.30
FY 2004[2]	$300,552,466	374,700	$802.11	$826.18	$240.63	$247.85
FY 2005[2]	$300,809,071	380,200	$791.19	$791.19	$237.36	$237.36

[1] FY 1999 reflects a refund of 12.5 percent paid to citizens by the Commonwealth, FY 2000 incorporates a 27.5 percent reduction, FY 2001 incorporates a 47.5 percent reduction, and FY 2002-2005 incorporate a 70.0 percent reduction in Personal Property Tax bills sent to citizens. The difference in revenue will be paid to the County by the Commonwealth.

[2] Estimated.

Personal Property Taxes paid by the "typical" household are shown in the preceding chart. Taxes paid in FY 1999 through FY 2005 reflect the Commonwealth of Virginia's Personal Property Tax Relief Act (PPTRA), which reduced an individual's Personal Property Tax payment by 12.5 percent in FY 1999, 27.5 percent in FY 2000, 47.5 percent in FY 2001, and 70.0 percent in FY 2002 through 2005. This analysis assumes that the "typical" household's vehicle(s) are valued at $20,000 or less in order to qualify for a reduction under the PPTRA. In FY 2005, the "typical" household is estimated to pay $237.36 in Personal Property Taxes, or $277.76 less than was paid in FY 1999, not adjusting for inflation. When adjustments are made for inflation, the "typical" household is projected to pay $372.87 less in FY 2005 than FY 1999. There have been no changes to the Personal Property Tax rate of $4.57 per $100 of assessed value for individuals during the FY 1999 to FY 2005 period, except for mobile homes and boats which are taxed at the prevailing Real Estate Tax rate each fiscal year.

Sales Tax
Per "Typical" Household

	Total Sales Tax	Number of Households	Tax per Household	Tax per Household in FY 2005 Dollars
FY 1999	$115,728,083	344,563	$335.87	$397.88
FY 2000	$128,787,605	353,136	$364.70	$416.89
FY 2001	$133,492,619	358,149	$372.73	$416.84
FY 2002	$125,577,043	363,677	$345.30	$377.31
FY 2003	$126,785,250	369,200	$343.41	$364.32
FY 2004[1]	$130,588,808	374,700	$348.52	$358.97
FY 2005[1]	$134,503,993	380,200	$353.77	$353.77

[1] Estimated.

As shown in the table above, FY 2005 Sales Tax paid per household is estimated to be $353.77, or $17.90 more than FY 1999, not adjusting for inflation. This represents an average annual increase of just 0.8 percent since FY 1999. Taking inflation into account, Sales Tax paid per household has dropped $44.11 over the same period.

Because this analysis assumes all Sales Taxes are paid by individuals living in Fairfax County, the impact on the typical household is somewhat overstated. A portion of the County's Sales Tax revenues are paid by businesses and non-residents who either work in the County or are visiting. As the County becomes more of a major employment center in the region, the contribution of non-residents to the County's Sales Tax revenues will grow in significance.

Consumer Utility Taxes
Per "Typical" Household

	Total Consumer Utility Taxes Paid by Residential Consumers	Number of Households	Tax per Household	Tax per Household in FY 2005 Dollars
FY 1999	$28,199,133	344,563	$81.84	$96.95
FY 2000	$29,926,432	353,136	$84.74	$96.87
FY 2001	$31,711,021	358,149	$88.54	$99.02
FY 2002	$31,530,699	363,677	$86.70	$94.74
FY 2003	$31,949,053	369,200	$86.54	$91.81
FY 2004[1]	$31,949,053	374,700	$85.27	$87.82
FY 2005[1]	$31,949,053	380,200	$84.03	$84.03

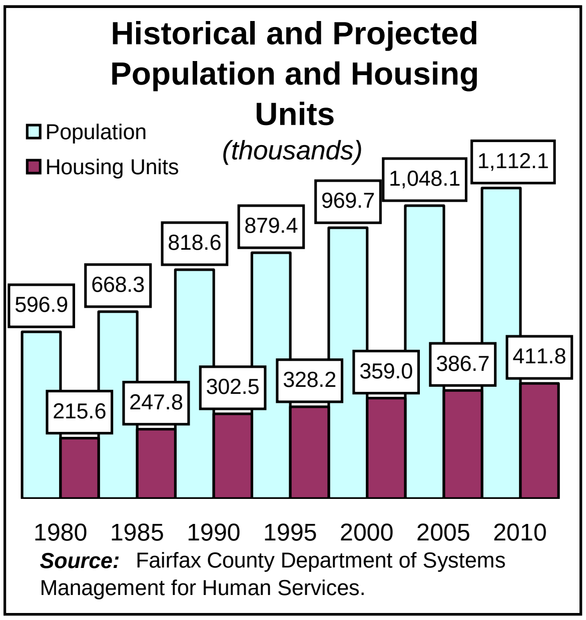
[1] Estimated.

Based on data from the utility companies, it is estimated that residential consumers pay approximately 43.0 percent of the Electric Taxes, 73.0 percent of the Gas Taxes, and 25.0 percent of the Telephone Taxes received by the County. In FY 2005, the "typical" household will pay an estimated $84.03 in Consumer Utility Taxes, $2.19 more than in FY 1999 without adjusting for inflation. From FY 1999 to FY 2005, the "typical" household has experienced an average annual decrease of 2.4 percent, or $12.92 over the period, adjusted for inflation.

DEMOGRAPHIC TRENDS

Demographic trends strongly influence Fairfax County's budget. Changing demographics or population characteristics affect both the costs of government services provided as well as tax revenues. The descriptions and charts contained in this section provide some examples of how various demographic trends affect the Fairfax County budget. Although these trends are discussed separately, the interactions between these demographic trends ultimately influence the direction of expenditures and revenues. While certain demographic trends may suggest reduced expenditures in a program area, other demographic trends may increase program expenditures at the same time. The following information is based on the most recent data available at the time of publication. Calendar year 2002 has been updated to include the 2002 American Community Survey where data are available.

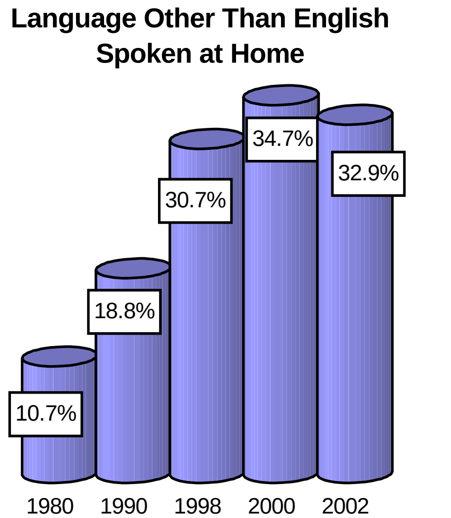
Population and Housing



Some of the strongest demographic influences on Fairfax County expenditures and revenues are those associated with the growth in total population and housing units. Fairfax County experienced dramatic population growth during the 1980s, adding an average of more than 22,000 residents per year. This growth has moderated to the addition of an average of just over 15,000 residents per year during the 1990s. Although population growth in the 1990s was slower than that of the 1980s, the increase in Fairfax County's population between 1990 and 2000 is comparable to adding more than the entire population of the City of Alexandria to the County.

In 2004, Fairfax County is projected to have 1,033,600 residents. The population is expected to grow to 1,048,100 in 2005 and 1,062,800 in 2006. From 1980 to 1999, the number of housing units in Fairfax County increased more rapidly (64 percent) than population (59 percent). This phenomenon was due to a shrinking average household size from 2.91 persons in 1980 to 2.74 persons in 1999. Between 1999 and 2010, the average household size is expected to stay flat at approximately 2.74 persons and the population is expected to grow at an average annual rate of 1.5 percent, the same rate as the number of housing units. For some program areas such as fire prevention, transportation, water and sewer, and real estate assessments, the growth in the number of housing units has a larger impact on workloads and expenditures than population growth. For other program areas such as libraries, recreation, and schools, the growth in population is a more important determining factor.

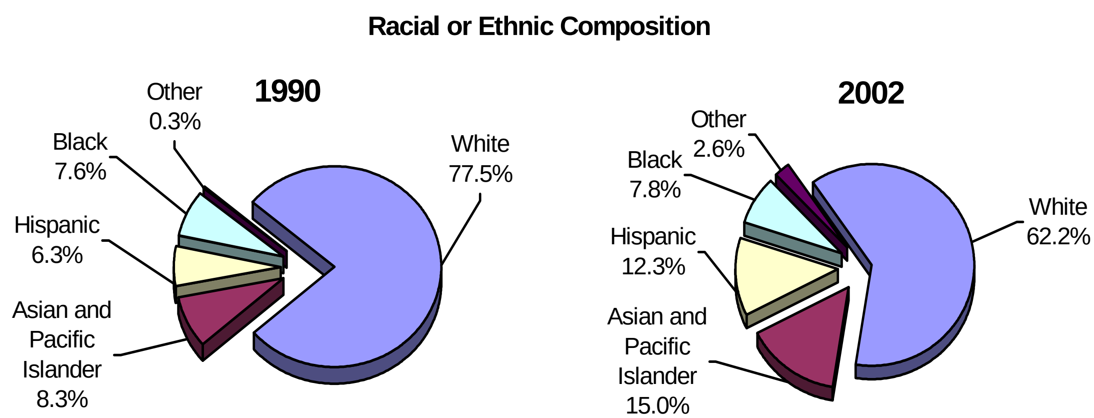
Cultural Diversity



Sources: 1980 and 1990 U.S. Decennial Censuses; 1998 Household Survey; 2000 Fairfax-Falls Church Community Assessment Survey; 2002 American Community Survey.

Fairfax County is a very diverse jurisdiction. The number of persons, age 5 years and older, speaking a language other than English at home has increased dramatically since 1980 to over 300,000 residents in 2002. In 1980, only 10.7 percent of residents age 5 years or older spoke a language other than English at home. By 1990, this percentage had risen to 18.8 percent. In 2002, nearly a third of the County's residents, age 5 years or older, spoke a language other than English at home. The most frequently spoken languages other than English include Spanish, Korean, Vietnamese, and Chinese.

These language trends affect many County programs. The Fairfax County Public Schools have experienced rapid growth in English for Speakers of Other Languages (ESOL) programs. Between FY 1990 and FY 2000 total public school membership increased 20 percent while ESOL enrollment increased 122 percent. Many general government programs also are affected by the County's cultural and language diversity. As with the public schools, the courts, police, fire, and emergency medical services, programs dealing with taxes and licenses, and human service programs must devise ways to effectively communicate with these citizens for whom English is a second language.



Sources: 1990 U.S. Decennial Census and 2002 American Community Survey.
NOTE: Percents may not be sum to 100.0 due to rounding.

In 1990, racial and ethnic minorities comprised less than a quarter of Fairfax County's population. In 2002, these groups comprised over one-third of the County's residents. Hispanics have been the most rapidly growing group, followed by Asians and Pacific Islanders. These two minority groups are expected to be the County's fastest growing racial or ethnic groups during the next five years. Among Asian and Hispanic residents, almost 90 percent speak a language other than English at home. The percentage of persons speaking a language other than English at home will continue to increase over the next five years.

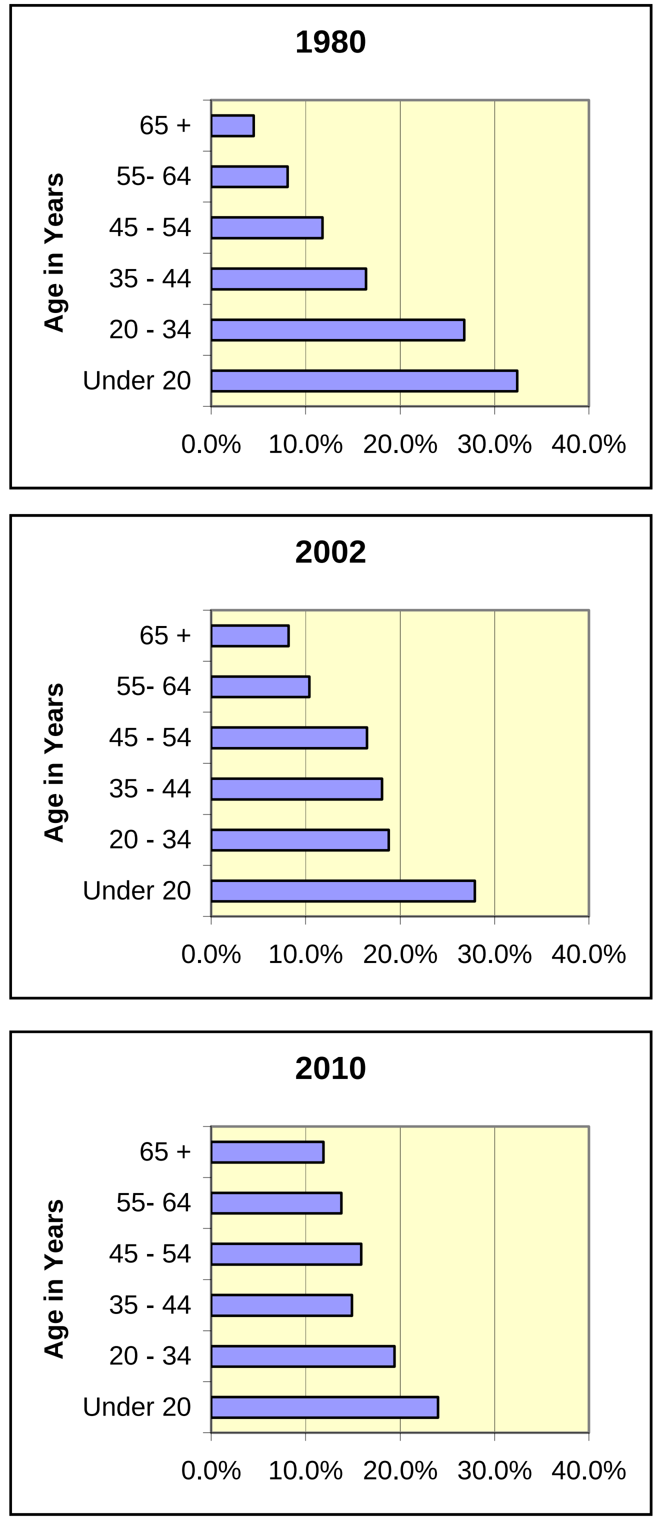
Population Age Distribution

Fairfax County's population has grown steadily older since 1980. This trend is projected to continue through 2010. Although children age 19 years and younger grew in number between 1980 and 2002, they became a smaller proportion of total population. This trend is expected to continue through 2010. The "baby boomlet" (children of baby boomers), will expand the percentage of the population between the ages of 20 and 34 years by 2010, but adults age 35 to 44 years will shrink in number and percentage by 2010.

Adults age 45 to 54 years expanded rapidly in number between 1980 and 2002 as the first "baby boomers" reached their fifties. However, between 2002 and 2010, persons age 45 to 54 will not grow as rapidly in number as the last of the "baby boom" generation enters this age group and the oldest "baby boomers" move to the next age group. The most rapidly growing group between 1980 and 2002 was seniors age 65 years and older. Seniors are expected to continue to be one of the most rapidly expanding groups through 2010.

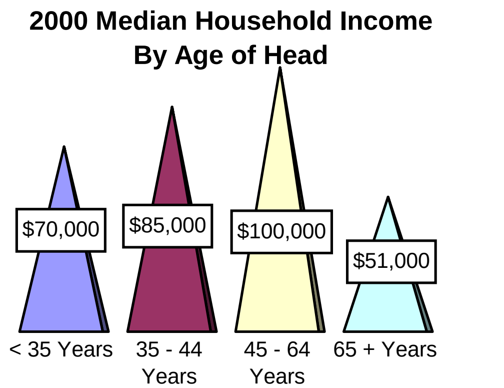
The age distribution of Fairfax County's population strongly influences the demand and, therefore, the costs of providing many local government services. For example, the number, location, and size of school and day care facilities are directly affected by the number and proportion of children. Transportation expenditures for both street maintenance and public transportation are influenced by the number and proportion of driving age adults and their work locations. The number and percentage of persons age 65 years and older will affect expenditures for programs for seniors such as health care. Public safety programs also are affected by age demographics. Crime rates, for example, are highest among persons age 15 to 34. In addition, the youngest and the oldest drivers have the greatest probability of being involved in traffic accidents.

Population Age Distribution



Sources: 1980 U.S. Decennial Census; 2002 American Community Survey; 2010 Fairfax County Department of Systems Management for Human Services.

Household Income



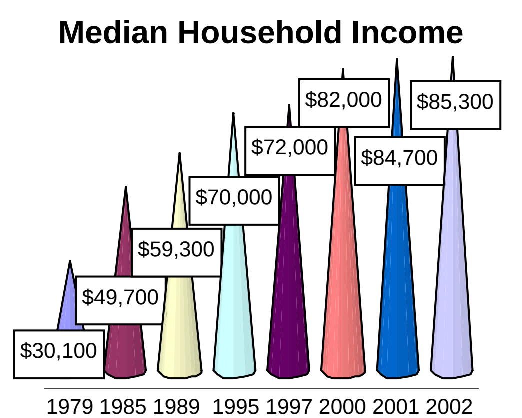
Source: 2000 Fairfax-Falls Church Community Assessment Survey.

Fairfax County tax revenues also are affected by population age distributions. Income peaks among householders age 45 to 64 years, who are in their prime earning years. As the number of households headed by this age group expands during the next 15 to 20 years, some tax revenues will be stimulated. These householders, who are part of the "baby boom" generation, will fuel demand for trade-up housing. With their higher incomes, they also have greater discretionary income for spending on goods and services, thereby increasing revenue from sales taxes.

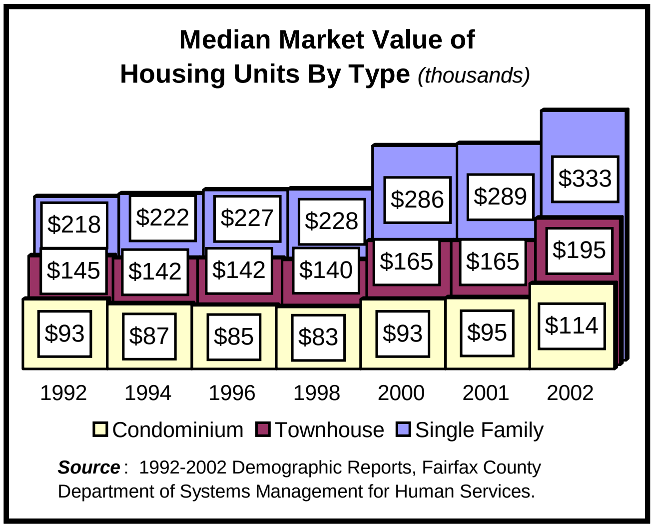
However, the median household income of households headed by a person age 65 or older is much less than that of a household headed by a person age 45 to 64 years. Therefore, a population containing a larger number of seniors, age 65 and older, will put downward pressure on tax revenues. These senior households have less discretionary income to spend, on average, own fewer motor vehicles; and are more likely to qualify for tax relief or discounted fees.

From 1979 through 1989, the growth in Fairfax County's median household income exceeded inflation, increasing 13.9 percent, adjusted for inflation. As a result, households in Fairfax County had more discretionary income to spend or save. Between 1989 and 1997, however, the growth in Fairfax County's median income just kept pace with inflation, as measured by the Washington Area Consumer Price Index. Inflation adjusted median household income increased only 2.2 percent between 1989 and 1997. This trend reversed again between 1997 and 2002 as inflation adjusted median household income increased 5.6 percent.

Income growth affects Fairfax County tax revenues indirectly in that it impacts the County's economic health. Tax categories affected by income include Sales Tax, Residential Real Estate Taxes, and Personal Property Taxes. In addition, income levels directly affect the County's expenditures for labor.



Sources: 1979 and 1989 from 1980 and 1990 U.S. Decennial Censuses; 1985, 1995, and 1997 from the 1986, 1996, and 1998 Household Survey; 2000 Fairfax-Falls Church Community Assessment Survey; 2001 Supplementary Census Survey; and 2002 American Community Survey.

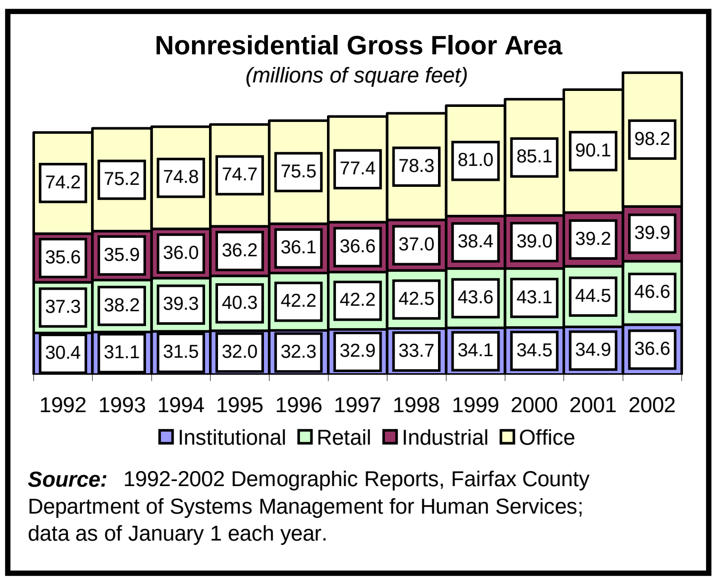


Median Market Value of Housing

The median market values of single family, townhouse, and apartment condominium housing increased dramatically through the 1980s but waned throughout the 1990s. Prices started to rebound in 1999. By 2002, the median market value of single family homes, which comprise nearly 50 percent of the County's total housing units, rose dramatically to $332,627, an increase of $47,000 in two years. The median market value of townhouses also increased considerably to $194,621 and apartment style condominium values increased to $114,488.

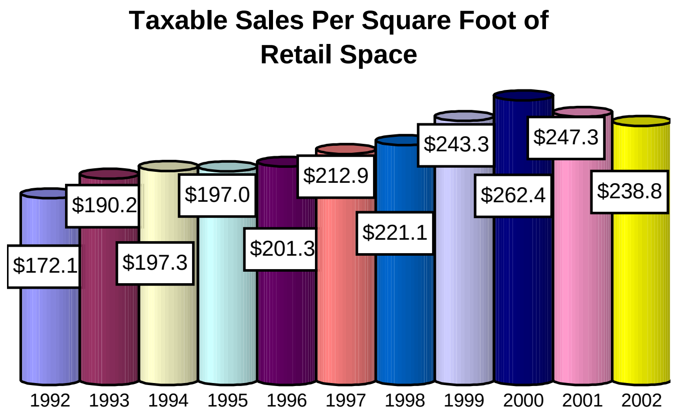
Real Estate Tax revenues provide more than half of all General Fund Revenues and residential properties comprise the majority of the value of the Real Estate Tax base. Thus, the market values of homes exert a very strong influence on Fairfax County's revenues. In 1979, the median market value of housing was 2.5 times greater than median household income. During the 1980s the median market value of housing grew much more rapidly than median household income. By 1990, the median market value of housing was more than three times the median household income. This trend has continued into 2002, as the median market value of all housing units is $265,611 or 3.1 times the median household income of $85,300.

Nonresidential Space



The amount and value of nonresidential space in Fairfax County has a major impact on revenues and expenditures. Business activity affects Real Estate Tax revenues, business Personal Property Tax revenues, Business, Professional and Occupational License Tax revenues, Sales Tax revenues and Consumer Utility Tax revenues. Business expansion also affects expenditures for water and sewer services, transportation improvements and services, police and fire services, and refuse disposal. Since 1992, the total nonresidential gross floor area in Fairfax County has increased by 43.8 million square feet. Retail and office space have comprised most of this growth. Retail space increased by 9.3 million square feet and office space increased by 24.0 million square feet. Typically, increases in the amount of nonresidential space in the County would indicate an increase in the County's business base and thus, an increase in Real Estate Tax revenues. However, growth in nonresidential space does not necessarily translate directly into a Real Estate Tax revenue increase because the income generating ability of nonresidential space also is a factor.

Taxable Sales Per Square Foot of Retail Space

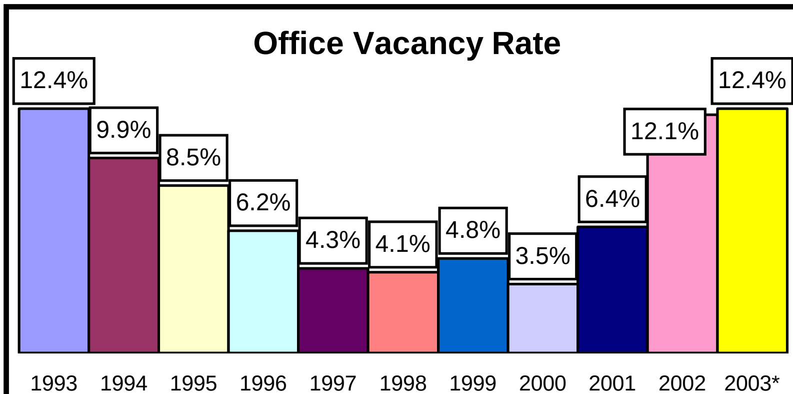


Sources: Virginia Department of Taxation, Office of Fiscal Research; Fairfax County Department of Systems Management for Human Services.

Taxable sales per square foot of retail space are an indicator of the health of the retail sales market in Fairfax County and a gauge of the income generating potential of retail space. After decreasing during the 1991-1992 recession, 1994 retail square footage returned to a level experienced in the late 1980s. In calendar year 1995, total taxable sales increased 2.2 percent but taxable sales per square foot of retail space exhibited a slight drop to $197.0 per square foot. Thus, the amount of available retail space in Fairfax County grew faster than taxable sales.

Between 1995 and 2000, taxable sales per square foot of retail space increased to $262.4, or 33.2 percent. When adjusted for inflation, taxable sales per square foot of retail space increased faster than inflation from 1997 to 2000. Real growth in taxable sales per square foot of retail space generally indicates a profitable retail sales market and encourages retail expansion. A healthy retail sales market generates increasing tax revenues for the County. Taxable sales per square foot of retail space dropped in 2001 and again in 2002 due to a decline in taxable sales after the events of September 11, 2001 and a slow economy.

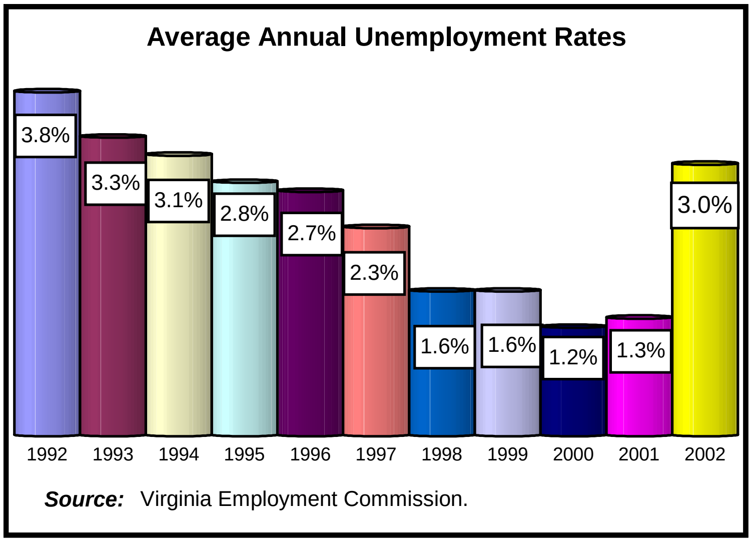
Office Vacancy Rates



*Mid-year rate.
Source: Fairfax County Economic Development Authority.

During the late 1980s and early 1990s, Fairfax County had a glut of office space. According to the Fairfax County Economic Development Authority, office vacancy rates peaked at 18.3 percent in 1990 and steadily declined through 2000 when the rate fell to 3.5 percent–the lowest office vacancy rate in more than 15 years. The vacancy rate dropped despite an increase in office inventory of more than 5.2 million square feet over 2000. By mid-year 2003, however, the overall vacancy rate increased to 12.4 percent due to the sluggish economy. Various sub-markets in the County may have higher or lower vacancy rates. The amount of sublet space on the market has increased dramatically since 2001 as firms that had anticipated growth downsized. Including sublet space, the office vacancy rate through mid-year 2003 is 17.3 percent. These trends impact tax revenues from office properties, which comprised 44.0 percent of the gross floor area of all nonresidential property in calendar year 2002.

Employment



Unemployment rates and at place employment (the number of persons employed in Fairfax County) are indicators of the health of the Fairfax County economy. Unemployment rates provide an indication of how many Fairfax County residents who desire to work cannot find employment. Residents of Fairfax County have experienced relatively low unemployment rates even during business cycle recessions. The annual unemployment rate in 2000 was 1.2 percent--the lowest rate in over a decade. Unemployment increased in 2002 to the highest level since 1994 due to the lingering effects of September 11 and slow economic activity. Layoffs were particularly significant in the information technology sector.

At place employment provides an indication of the number of jobs generated by businesses in Fairfax County. As discussed above, business and employment growth generate additional tax revenues and additional expenditures for Fairfax County. According to data from the Virginia Employment Commission, the number of jobs in Fairfax County expanded by approximately 167,000 positions from 1993 to 2001 and unemployment rates fell dramatically. From 2001 to 2003, however, Fairfax County employment has dropped 16,900